

## Message Text

UNCLASSIFIED

PAGE 01 OTTAWA 02757 232204Z

15

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-02 PRS-01 L-03 H-02 /101 W

----- 041180

R 232008Z JUL 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 7052

UNCLAS OTTAWA 2757

E.O. 11652: N/A

TAGS: EFIN, CA

SUBJECT: PHASE II OF FOREIGN INVESTMENT REVIEW ACT

REF: OTTAWA 2681

1. AT INVITATION OF EXTAFF, FIRA COMMISSIONER MURRAY ON JULY 23 BRIEFED FOREIGN COMMERCIAL AND ECONOMIC OFFICERS IN OTTAWA ON RECENTLY ANNOUNCED PHASE II OF FOREIGN INVESTMENT REVIEW ACT. BRIEFING SIMILAR TO THAT GIVEN EMBOFFS ON JULY 17 (REFTTEL) AND MURRAY STRESSED IMPORTANCE GOC PLACED ON CONTINUED FLOW OF FOREIGN INVESTMENT INTO CANADA.

2. POINTS MADE BY MURRAY NOT MENTIONED IN JULY 17 BRIEFING INCLUDED:

A. EFFECTIVENESS OF PHASE I EXEMPLIFIED BY FACT THAT NOT ONE "BIG, UGLY TAKEOVER" HAD BEEN PROPOSED SINCE FIRA BEGAN OPERATIONS. CRITICS OF FIRA OPERATIONS HAVE SINGLED OUT 4 TO 1 TAKEOVER APPROVAL RATIO AS EVIDENCE THAT FIRA NOT WORKING FOR CANADA'S BEST INTERESTS, BUT "BOX-SCORE APPROACH IS MESLEADING" AND BETTER INDICATION OF FIRA'S EFFICACY IS THAT "NO LARGE, CONTROVERSIAL TAKEOVER" HAS OCCURRED.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 OTTAWA 02757 232204Z

B. ATTENTION SHOULD BE GIVEN TO ARTICLE IN TORONTO STAR OF JULY 23 ENTITLED "WIDE-MESH SCREEN FOR FOREIGN-OWNED" BY JACK MCARTHUR AND LE DEVOIR FRONT PAGE ARTICLE OF JULY 19. MCARTHUR ARTICLE GAVE FULLY ACCURATE SYNOPSIS OF GUIDELINES FOR EXPANSION OF FIRMS INTO UNRELATED BUSINESSES AND CONCLUDED FIRA WILL HAVE DIFFICULT JOB IN SCREENING SUCH PROPOSALS. LE DEVOIR GAVE STORY "PROMINENCE IT DESERVES" SINCE PHASE II IMPLEMENTATION IS "IMPORTANT GOC DECISION".

C. PRESUMPTION BY FIRA IS THAT PERCENTAGE OF ALLOWABLE EXPANSIONS WILL BE EVEN GREATER THAN CURRENT ACCEPTED TAKEOVER PROPOSALS.

D. FIRA HOPE IS THAT "ELEGIBLE" PERSONS, INCLUDING LANDED IMMIGRANTS WILL BE INVOLVED IN STARTING SMALL NEW BUSINESSES AND FIRA WILL NOT BE SWAMPED BY APPLICATIONS FOR "CHICKEN FARMS, PIZZA PARLORS, ETC," BY FOREIGN INVESTORS.

E. AVERAGE TIME FOR PROCESSING TAKEOVER APPLICATIONS IS NOW 100 DAYS AND FIRA HOPES CUT THAT TO 60 FOR NEW INVESTMENT AND EXPANSION PROPOSALS.

F. "TRAGEDY" OF PHASE II IS THAT THERE ARE NO "THRESHOLD MINIMUMS" FOR NEW INVESTMENT AND EXPANSIONS BUT FIRA MUST BE GIVEN TIME TO ESTABLISH PRECEDENTS IN TOTALLY NEW FIELD.

G. BY DEFINITION, MOST NEW INVESTMENTS WILL MEET 3 OF 5 "TESTS" OR FACTORS OF ASSESSMENT OF SIGNIFICANT BENEFIT TO CANADA USED IN ACCEPTING OR REJECTING TAKEOVER PROPOSALS. MOST DIFFICULT "TEST" TO APPLY TO NEW INVESTMENT WILL BE "CANADIAN PARTICIPATION" IN NEW BUSINESS. "WE WOULD WANT CANADIAN MANAGEMENT AND EQUITY PARTICIPATION" IN NEW BUSINESS BUT SUCH PARTICIPATION MAY BE FIVE TO TEN YEAR GOAL FOR NEW COMPANY.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 OTTAWA 02757 232204Z

H. FIRA HAS NOW ESTABLISHED FORMAL CONSULTATIVE PROCESS WITH PROVINCES ON INVESTMENT IN ORDER PROHIBIT "SADDER ASPECTS OF INVESTMENT IN CANADA" IN WHICH ONE PROVINCE IS PLAYED OFF AGAINST ANOTHER BY INVESTORS. HOWEVER, GOC WILL DETERMINE WHICH INVESTMENTS ARE "SIGNIFICANT" AND SUBJECT TO CONSULTATION AND HAS REJECTED SOME PROVINCES' REQUESTS THAT ALL FOREIGN INVESTMENT PROPOSALS

BE SUBMITTED TO ALL PROVINCES.

3. IN ANSWER TO QUESTION FROM AUDIENCE ABOUT PM  
TRUDEAU'S STATEMENTS OF LAST YEAR DURING ELECTION  
THAT GOC WOULD STRIVE FOR 50 PERCENT OR BETTER CANADIAN  
CONTROL OF NATURAL RESOURCES, MURRAY SAID THAT GOC  
POLICY IN THIS REGARD WAS NOT OFFICIAL BUT "THINGS ARE  
MOVING IN THAT DIRECTION". COMMITMENTS BY NEW  
INVESTORS IN CANADA FOR EVENTUAL CANADIAN CONTROL "MAY  
BE YEARS DOWN THE ROAD" BUT PARLIAMENT CLEARLY INTENDED  
GREATER CANADIAN CONTROL OF RESOURCES WHEN IT PASSED  
INVESTMENT ACT.  
JOHNSON

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOREIGN INVESTMENT, LAW, FOREIGN INVESTMENT CONTROLS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 23 JUL 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975OTTAWA02757  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750255-0128  
**From:** OTTAWA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750729/aaaabafg.tel  
**Line Count:** 128  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 OTTAWA 2681  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CollinP0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 12 FEB 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <12 FEB 2003 by ThomasVJ>; APPROVED <18 MAR 2004 by CollinP0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PHASE II OF FOREIGN INVESTMENT REVIEW ACT  
**TAGS:** EFIN, CA  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006